of India. RBI has announced that it would make available liquidity so that the growth momentum is maintained, consistent with interest rate regime.

(c) Surplus cash balance of Central Government do not impact the fiscal deficit.

Reduction of rate of excise duty on vehicles

2280. SHRI R. K. ANAND: Will the Minister of FINANCE be pleased to state:

(a) whether Government have reduced the rate of excise duty on motor vehicles in the budgets of 2001-2002 to 2003-04 and if so, the details thereof;

(b) whether the major motor vehicle manufacturers did not pass on the benefit of excise duty reduction to comsumers and retained the reduced excise amount of about Rs.927.31 crore;

(c) whether these manufacturers during 2001-04 increased the cost of their vehicles despite reduction in the prices of major raw materials used by the manufacturers; and

(d) what action Government propose to take against vehicle manufacturers for cheating public?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S. S. PALANIMANICKAM): (a) Yes, Sir. In budget 2001-02, excise duty on passenger cars was reduced from 40% to 32%. In budget 2003-04, excise duty on passenger cars was further reduced from 32% to 24%.

(b) While generally the prices came down consequent to reduction in excise duty, it is a fact that the reduction in prices in some cases, in the long run, were not in proportion to the duty reduction.

(c) The Audit Report of the C&AG for India (Indirect Taxes) for the year 2003-04 on "Excise duty on Motor Vehicles for transport of persons and goods" has pointed out that there was increase in prices of certain models of cars by their manufacturers during the period of study.

(d) The price of a product is a function of several factors, including cost of raw materials, labour costs, power, interest costs and other commercial

considerations arising out of competition and prevailing demand-supply conditions. Excise duty is only one of the elements in the cost of a vehicle. There is no mandatory or legal requirement to pass on every excise duty cut in the same proportion to consumers. Duty cuts can be given for various reasons, including improving the health of industry, reducing consumer prices, compensating for rising costs in some areas, improving competitiveness and so on. The question of recovery of duty only because the benefit of the duty reduction is not fully passed on to the consumers does not arise.

Violation by overseas insurance companies

2281. SHRI SANJAY RAUT: Will the Minister of FINANCE be pleased to state:

(a) what are the names of the overseas insurance companies which have been permitted to do business of insurance in the country;

(b) what are the rules and regulations which have been issued to such overseas insurance companies for safeguarding the investors money;

(c) whether Government have received number of complaints about the violation made by some overseas insurance companies; and

(d) if so, the details thereof and Government's reaction thereto?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) As per Insurance Act, 1938, no overseas insurance company can transact insurance business in the country. However, overseas companies are permitted to conduct insurance business in India as joint venture with Indian insurance companies with maximum foreign equity of 26%. Indian insurance companies in joint venture with overseas companies is given in the Statement (*See* below).

(b) Indian insurance companies are regulated under Insurance Act, 1938, Insurance Regulatory and Development Authority (IRDA) Act, 1999 and IRDA Regulations which also stipulate protection of policy-holders' interests, thereby safeguarding the investors' money.

(c) No, Sir.

(d) Does not arise.